

MONTEZUMA COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2020**

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**Montezuma Community School District
Board of Education and School District Officials
Year Ended June 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Stacie Cameron	President	2021
Jason Meyer	Vice President	2020
Sara Erselius	Board Member	2021
Cori Henkle	Board Member	2021
Alan Rabenold	Board Member	2020
School District Officials		
Dave Hoeger	Superintendent	2020
Mary Jo Steele-Sheets	Board Secretary	2020
Karla De Cook	Board Treasurer	2020
Ahlers & Cooney	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Montezuma Community School District
Montezuma, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Montezuma Community School District, Montezuma, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Montezuma Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Montezuma Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 12 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ending June 30, 2012, and we have audited the financial statements for the seven years ending June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of the Montezuma Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montezuma Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 20, 2021

Montezuma Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 Financial Highlights

General Fund revenues increased from \$6,308,204 in fiscal year 2019 to \$6,453,321 in fiscal year 2020, while General Fund expenditures increased from \$5,560,766 in fiscal year 2019 to \$5,801,197 in fiscal year 2019. The District's General Fund balance increased from \$1,181,478 at the end of fiscal year 2019 to \$1,833,602 at the end of fiscal year 2020.

The fiscal year 2020 General Fund revenue increase was attributable to increases in a cash reserve levy. The increase in expenditures was due primarily to a increase in instruction costs.

The District continues to support professional development for implementation of the Iowa Core Curriculum, overall increased student achievement with special emphasis on reading, math and science, and teacher leadership through professional learning communities. The District goals continue to focus on all students graduating from high school, all students meeting end-of-year grade proficiencies in reading, math and science and providing a modern and secure facility.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

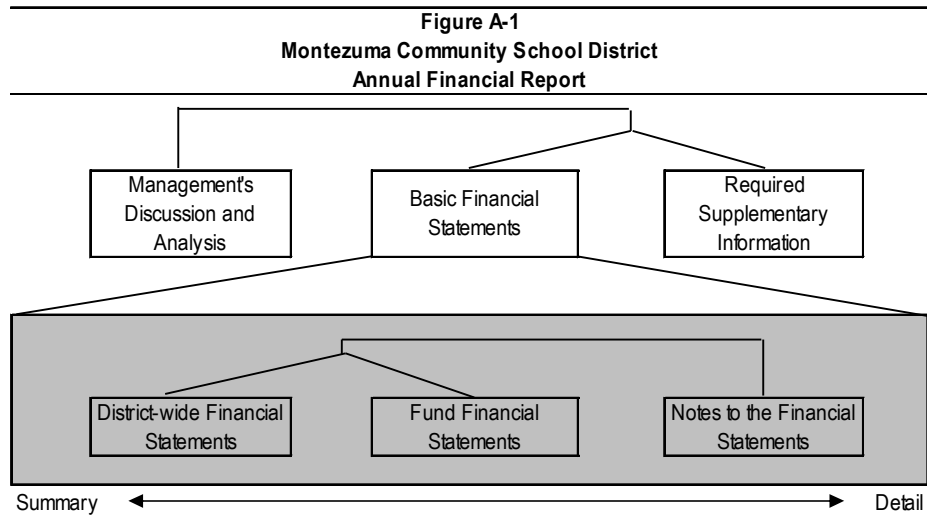


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required Financial Statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary Net Position Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust (scholarships) and Custodial Funds.

Figure A-3 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-3 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	\$ 7,972	\$ 7,789	91	53	8,063	7,842	2.8%
Capital assets	10,683	10,533	8	13	10,691	10,546	1.4%
Total assets	18,655	18,322	99	66	18,754	18,388	2.0%
Deferred outflows of resources	587	1,061	19	32	606	1,093	-
Long-term liabilities	11,382	12,792	16	105	11,398	12,897	-11.6%
Other liabilities	759	716	91	15	850	731	16.3%
Total liabilities	12,141	13,508	107	120	12,248	13,628	-10.1%
Deferred inflows of resources	5,166	5,121	18	19	5,184	5,140	-
Net Position:							
Invested in capital assets, net of related debt	2,384	1,324	8	13	2,392	1,337	78.9%
Restricted	1,011	1,546	-	-	1,011	1,546	-34.6%
Unrestricted	(1,460)	(2,115)	(15)	(54)	(1,475)	(2,169)	-32.0%
Total Net Position	\$ 1,935	\$ 755	(7)	(41)	1,928	714	170.0%

The District's combined net position increased by nearly 170%, or approximately \$1,214,000 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$535,000, or 34.6% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day – day operations without the constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$694,000 or 32%. This increase in unrestricted net position was primarily a result of the newly implemented GASB 68, which defines pension liability and related deferred outflows and inflows.

**Montezuma Community School District
Management's Discussion and Analysis
June 30, 2020**

Figure A-4 shows the change in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-4 Changes in Net Position (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total District		Total Change	
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,	
	2020	2019	2020	2019	2020	2019	2019-2020	
Revenues:								
Program revenues:								
Charges for service	\$ 533	\$ 559	122	175	655	734	-10.8%	
Operating grants, contributions and restricted interest	1,070	1,023	179	126	1,249	1,149	8.7%	
General revenues:								
Property tax	4,482	4,293	-	-	4,482	4,293	4.4%	
Statewide sales, service and use tax	505	512	-	-	505	512	-1.4%	
Unrestricted state grants	1,710	1,681	-	-	1,710	1,681	1.7%	
Unrestricted investment earnings	11	17	-	-	11	17	-35.3%	
Other	83	166	-	-	83	166	-50.0%	
Total revenues	8,394	8,251	301	301	8,695	8,552	1.7%	
Program expenses:								
Governmental activities:								
Instruction	4,460	4,580	-	-	4,460	4,580	-2.6%	
Support services	1,565	1,661	-	-	1,565	1,661	-5.8%	
Non-instructional programs	-	-	267	287	267	287	-7.0%	
Other expenses	1,190	1,133	-	-	1,190	1,133	5.0%	
Total expenses	7,215	7,374	267	287	7,482	7,661	-2.3%	
Change in Net Position	\$ 1,179	\$ 877	34	14	1,213	891	36.1%	

In the 2019-20 school year:

Physical Plant and Equipment Levy (PPEL) funds were used for technology equipment, window project, telephone and copier leases and various grounds improvements.

Sales Tax revenues were used for technology equipment, auditorium renovation, various building/grounds improvements, land purchase, and construction and architect fees.

**Montezuma Community School District
Management's Discussion and Analysis
June 30, 2020**

The following table, A-5, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 4,460	4,579	-2.6%	\$ 3,091	3,231	-4.3%
Support services	1,565	1,661	-5.8%	1,563	1,660	-5.8%
Other expenses	1,190	1,133	5.0%	959	901	6.4%
Totals	\$ 7,215	7,373	-2.1%	\$ 5,613	5,792	-3.1%

The cost of all governmental activities this year was \$7,215,444. The decrease of \$158,402 was due to decreased costs of construction costs and increased instruction costs.

Business-type Activities

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities were \$300,758. Expenses were \$267,098.

Financial Analysis of the District Funds

As previously noted, the Montezuma Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The District's General Fund balance changed from \$1,181,478 in fiscal 2019 to \$1,833,602 in fiscal 2020. This was due to cash reserve levy and also due to decreased special education & transportation costs.

The District's Management Fund balance changed from \$160,763 in fiscal 2019 to \$252,155 in fiscal 2020. This was due to a decrease in early retirement benefits.

The District's Capital Projects Fund balance changed from \$935,930 in fiscal 2019 to \$192,301 in fiscal 2020 due to more construction projects.

Budgetary Highlights

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Asset and Debt Administration

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 347	321	-	-	347	321	8.1%
Buildings	9,925	10,343	-	-	9,925	10,343	-4.0%
Improvements other than buildings	169	78	-	-	169	78	116.7%
Furniture and equipment	242	209	8	13	250	222	12.6%
Totals	\$ 10,683	10,951	8	13	10,691	10,964	-2.5%

At June 30, 2020, the District had invested \$10,682,501 net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment.

Long-term Debt

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District June 30,		Change June 30,
	2020	2019	2019-2020
General obligation bonds	\$ 5,985	6,615	-9.5%
Revenue bonds	2,280	2,555	-10.8%
Bond premiums	64	108	-40.7%
Bond discounts	(61)	(68)	-10.3%
Early retirement	49	72	-31.9%
Net pension liability	2,454	2,788	-
Other postemployment benefits	581	722	-19.5%
Totals	\$ 11,352	12,792	-11.3%

At June 30, 2020, the District had \$5,985,000 in general obligation bond debt, \$2,280,000 in sales tax revenue bond debt and \$3,207,963 in other long-term outstanding debt. This represents a decrease from FY2019 due to making bond payments.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums
- Employee salaries & benefits
- Budget concerns at the State level
- Enrollment

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karla De Cook, Business Manager, Montezuma School District, 504 North 4th Street, PO Box 580, Montezuma, Iowa, 50171.

Basic Financial Statements

Montezuma Community School District
Statement of Net Position
June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 3,160,388	54,260	3,214,648
Receivables:			
Property tax:			
Delinquent	75,762	-	75,762
Succeeding year	4,261,243	-	4,261,243
Income surtax	250,565	-	250,565
Due from other governments	199,042	26,333	225,375
Due from other funds	25,000	-	25,000
Inventories	-	9,952	9,952
Capital assets, net of accumulated depreciation	10,682,501	7,997	10,690,498
Total assets	18,654,501	98,542	18,753,043
Deferred Outflows of Resources			
Pension related deferred outflows	586,838	18,682	605,520
Liabilities			
Accounts payable	191,908	9,177	201,085
Salaries and benefits payable	518,364	2,424	520,788
Accrued interest payable	29,007	-	29,007
Due to other funds	20,000	5,000	25,000
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	640,000	-	640,000
Revenue bonds	120,000	-	120,000
Early retirement	20,000	-	20,000
Portion due after one year:			
General obligation bonds	5,376,187	-	5,376,187
Revenue bonds	2,162,264	-	2,162,264
Early retirement	28,700	-	28,700
Net pension liability	2,454,165	69,572	2,523,737
Net OPEB liability	580,825	21,250	602,075
Total liabilities	12,141,420	107,423	12,248,843
Deferred Inflows of Resources			
Unavailable property tax revenue	4,261,243	-	4,261,243
Unavailable income surtax	250,565	-	250,565
Advances on federal grants	31,679	-	31,679
Pension related deferred inflows	622,225	17,359	639,584
	5,165,712	17,359	5,183,071
Net Position			
Net investment in capital assets	2,384,045	7,997	2,392,042
Restricted for:			
Categorical funding	223,356	-	223,356
Debt service	335,192	-	335,192
Management levy purposes	203,455	-	203,455
Student activities	214,836	-	214,836
Physical plant and equipment levy	8,518	-	8,518
Capital projects	24,933	-	24,933
Unrestricted	(1,460,128)	(15,555)	(1,475,683)
Total net position	\$ 1,934,207	(7,558)	1,926,649

See notes to financial statements.

Montezuma Community School District
Statement of Activities
Year ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,768,265	273,595	587,851	(1,906,819)	-	(1,906,819)
Special instruction	669,013	40,300	240,766	(387,947)	-	(387,947)
Other instruction	1,023,106	218,997	8,068	(796,041)	-	(796,041)
	<u>4,460,384</u>	<u>532,892</u>	<u>836,685</u>	<u>(3,090,807)</u>	<u>-</u>	<u>(3,090,807)</u>
Support Services:						
Student	61,860	-	-	(61,860)	-	(61,860)
Instructional staff	82,278	-	-	(82,278)	-	(82,278)
Administration	613,231	-	-	(613,231)	-	(613,231)
Operating and maintenance of plant	549,754	-	-	(549,754)	-	(549,754)
Transportation	257,878	-	2,358	(255,520)	-	(255,520)
	<u>1,565,001</u>	<u>-</u>	<u>2,358</u>	<u>(1,562,643)</u>	<u>-</u>	<u>(1,562,643)</u>
Other expenditures:						
Facilities acquisition	99,056	-	-	(99,056)	-	(99,056)
Long-term debt interest	216,697	-	-	(216,697)	-	(216,697)
AEA flowthrough	230,487	-	230,487	-	-	-
Depreciation (unallocated)*	643,819	-	-	(643,819)	-	(643,819)
	<u>1,190,059</u>	<u>-</u>	<u>230,487</u>	<u>(959,572)</u>	<u>-</u>	<u>(959,572)</u>
Total governmental activities	7,215,444	532,892	1,069,530	(5,613,022)	-	(5,613,022)
Business type activities:						
Non-instructional programs:						
Food service operations	267,098	121,840	178,817	-	33,559	33,559
	<u>267,098</u>	<u>121,840</u>	<u>178,817</u>	<u>-</u>	<u>33,559</u>	<u>33,559</u>
Total primary government	<u>\$ 7,482,542</u>	<u>654,732</u>	<u>1,248,347</u>	<u>(5,613,022)</u>	<u>33,559</u>	<u>(5,579,463)</u>

Exhibit B

Montezuma Community School District
Statement of Activities
Year ended June 30, 2020

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Operating				
		Grants,				
		Contributions				
		and				
	Charges for	Restricted		Governmental	Business type	
Expenses	Service	Interest		Activities	Activities	Total
Totals continued from previous pages	\$ 7,482,542	654,732	1,248,347	(5,613,022)	33,559	(5,579,463)
General Revenues:						
Property tax levied for:						
General purposes				3,552,700	-	3,552,700
Debt service				418,876	-	418,876
Capital outlay				510,687	-	510,687
Statewide sales, services and use tax				505,349	-	505,349
Unrestricted state grants				1,710,274	-	1,710,274
Unrestricted investment earnings				11,019	101	11,120
Other				57,940	-	57,940
Contributions not restricted to specific programs				25,254	-	25,254
Total general revenues				6,792,099	101	6,792,200
Change in net position				1,179,077	33,660	1,212,737
Net position beginning of year				755,130	(41,218)	713,912
Net position end of year				\$ 1,934,207	(7,558)	1,926,649

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit C

Montezuma Community School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 2,342,467	199,284	161,366	457,271	3,160,388
Receivables:					
Property tax:					
Delinquent	55,006	7,563	9,221	3,972	75,762
Succeeding year	2,540,951	877,526	542,766	300,000	4,261,243
Income surtax	250,565	-	-	-	250,565
Due from other funds	5,000	-	-	20,000	25,000
Due from other governments	156,499	-	42,543	-	199,042
Total assets	\$ 5,350,488	1,084,373	755,896	781,243	7,972,000
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 177,862	1,500	829	11,717	191,908
Salaries and benefits payable	515,829	-	-	2,535	518,364
Due to other funds	-	-	20,000	-	20,000
Total liabilities	693,691	1,500	20,829	14,252	730,272
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	2,540,951	877,526	542,766	300,000	4,261,243
Income surtax	250,565	-	-	-	250,565
Advances on federal grants	31,679	-	-	-	31,679
Total deferred inflow of resources	2,823,195	877,526	542,766	300,000	4,543,487
Fund balances:					
Restricted for:					
Categorical funding	223,356	-	-	-	223,356
Debt service	-	205,347	158,850	-	364,197
Management levy purposes	-	-	-	252,155	252,155
Student activities	-	-	-	214,836	214,836
School infrastructure	-	-	24,933	-	24,933
Physical plant and equipment	-	-	8,518	-	8,518
Unassigned	1,610,246	-	-	-	1,610,246
Total fund balances	1,833,602	205,347	192,301	466,991	2,698,241
Total liabilities, deferred inflows of resources and fund balances	\$ 5,350,488	1,084,373	755,896	781,243	7,972,000

See notes to financial statements.

Exhibit D

Montezuma Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances of governmental funds (Exhibit C) **\$ 2,698,241**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Land	\$ 346,372	
Buildings, net	9,925,033	
Improvements, net	168,961	
Equipment, net	242,135	
	10,682,501	

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	586,838	
Deferred inflows of resources	(622,225)	
	(35,387)	

Long-term liabilities, including bonds payable, bond issuance costs, accrued interest, early retirement, net pension liability and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	(5,985,000)	
Revenue bonds payable	(2,280,000)	
Bond discounts, net	60,849	
Bond premiums, net	(94,300)	
Accrued interest	(29,007)	
Early retirement	(48,700)	
Net pension liability	(2,454,165)	
Net OPEB liability	(580,825)	
	(11,411,148)	

Net position of governmental activities (Exhibit A) **\$ 1,934,207**

See notes to financial statements.

Exhibit E

Montezuma Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 3,332,719	418,876	510,687	219,981	4,482,263
Tuition	302,712	-	-	-	302,712
Other	38,086	1,402	30,571	254,334	324,393
State sources	2,592,849	-	505,349	-	3,098,198
Federal sources	186,955	-	-	-	186,955
Total revenues	6,453,321	420,278	1,046,607	474,315	8,394,521
Expenditures:					
Current:					
Instruction:					
Regular	2,817,189	-	26,511	53,214	2,896,914
Special	660,218	-	-	-	660,218
Other	760,480	-	-	239,946	1,000,426
	4,237,887	-	26,511	293,160	4,557,558
Support services:					
Student	61,485	-	-	-	61,485
Instructional staff	30,063	-	51,360	-	81,423
Administration	607,388	-	3,804	-	611,192
Operation and maintenance of plant	422,251	-	50,902	65,291	538,444
Transportation	211,636	-	-	12,951	224,587
	1,332,823	-	106,066	78,242	1,517,131
Other expenditures:					
Facilities acquisition	-	-	937,619	-	937,619
Long-term debt:					
Principal	-	905,000	-	-	905,000
Interest and fiscal charges	-	234,575	-	-	234,575
AEA flowthrough	230,487	-	-	-	230,487
	230,487	1,139,575	937,619	-	2,307,681
Total expenditures	5,801,197	1,139,575	1,070,196	371,402	8,382,370
(Deficiency) of revenues (under) expenditures	652,124	(719,297)	(23,589)	102,913	12,151
Other financing sources (uses):					
Transfers in	-	720,040	-	-	720,040
Transfers out	-	-	(720,040)	-	(720,040)
Total other financing sources (uses)	-	720,040	(720,040)	-	-
Net change in fund balances	652,124	743	(743,629)	102,913	12,151
Fund balances beginning of year	1,181,478	204,604	935,930	364,078	2,686,090
Fund balances end of year	\$ 1,833,602	\$ 205,347	\$ 192,301	\$ 466,991	\$ 2,698,241

See notes to financial statements.

Montezuma Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2020

Net change in fund balances - total governmental funds (Exhibit E)	\$	12,151
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 838,563	
Depreciation expense	<u>(689,290)</u>	149,273

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

GO bonds repaid	630,000	
Revenue bonds repaid	275,000	
Amortization of bond premiums	12,644	
Amortization of bond discounts	<u>(6,945)</u>	910,699

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

17,878

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position.

310,706

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	141,594	
Pension expense	(386,824)	
Early retirement	<u>23,600</u>	(221,630)

Change in net position of governmental activities (Exhibit B)	\$	<u>1,179,077</u>
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See notes to financial statements.

Exhibit G

Montezuma Community School District
Statement of Net Position
Proprietary Fund
June 30, 2020

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 54,260
Due from other governments	26,333
Inventories	9,952
Total current assets	<u>90,545</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	171,047
Accumulated depreciation	<u>(163,050)</u>
Total non-current assets	<u>7,997</u>
Total assets	<u><u>98,542</u></u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>18,682</u>
Liabilities	
Current liabilities:	
Accounts payable	9,177
Salaries and benefits payable	2,424
Due to other funds	5,000
Total current liabilities	<u>16,601</u>
Non-current liabilities:	
Net pension liability	69,572
Net OPEB liability	<u>21,250</u>
Total non-current liabilities	<u>90,822</u>
Total liabilities	<u><u>107,423</u></u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>17,359</u>
Net Position	
Net Investment in capital assets	7,997
Unrestricted	<u>(15,555)</u>
Total net position	<u><u>\$ (7,558)</u></u>

See notes to financial statements.

Exhibit H

Montezuma Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2020

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 121,840
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	100,798
Benefits	27,437
Supplies	133,740
Other	496
Depreciation	4,627
Total operating expenses	267,098
Operating loss	(145,258)
Non-operating revenue:	
Interest income	101
State sources	1,609
Federal sources	177,208
Total non-operating revenue	178,918
Change in net position	33,660
Net position beginning of year	(41,218)
Net position end of year	\$ (7,558)

See notes to financial statements.

Exhibit I

Montezuma Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2020

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 100,951
Cash payments to employees for services	(130,152)
Cash payments to suppliers for goods or services	(114,891)
Net cash used by operating activities	(144,092)
Cash flows from non-capital financing activities:	
State grants received	1,609
Federal grants received	158,447
Net cash provided by non-capital financing activities	160,056
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Disposal of capital assets	-
Cash flows from investing activities:	
Interest on investments	101
Net increase in cash and cash equivalents	16,065
Cash and cash equivalents at beginning of year	38,195
Cash and cash equivalents at end of year	\$ 54,260
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (145,258)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,761
Depreciation	4,627
(Increase) in inventories	(263)
(Increase) in due from other governments	(20,889)
Increase in accounts payable	5,847
Increase in salaries and benefits payable	857
(Decrease) in due to other funds	(5,000)
(Decrease) in net pension liability	(9,508)
Decrease in deferred outflows of resources	13,781
(Decrease) in deferred inflows of resources	(1,867)
(Decrease) in other postemployment benefits	(5,180)
Net cash used by operating activities	\$ (144,092)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 54,260
Cash and cash equivalents at year end	\$ 54,260

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$18,761 of federal commodities.

See notes to financial statements.

Montezuma Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust Scholarship	Custodial
Assets		
Cash, cash equivalents and pooled investments	\$ 5,442	179
Total assets	<u>\$ 5,442</u>	<u>179</u>
Liabilities		
Due to other groups	\$ -	-
Total Liabilities	<u>\$ -</u>	<u>-</u>
Net position		
Reserved for scholarships	\$ 5,442	-
Restricted for other organizations	<u>-</u>	<u>\$ 179</u>

See notes to financial statements.

Montezuma Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2020

	Private Purpose Trust Scholarship	Custodial
Additions:		
Local sources:		
Gifts and contributions	\$ 3,495	-
Interest on investments	12	-
Total additions	3,507	-
Deductions:		
Instruction:		
Regular:		
Administrative	-	244
Scholarships awarded	3,900	-
	3,900	244
Change in net position	(393)	(244)
Net position beginning of year, as restated	5,835	423
Net position end of year	\$ 5,442	179

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Montezuma Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Montezuma, Iowa and the predominate agricultural territory in a portion of Poweshiek county. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Montezuma Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Montezuma Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following non-major governmental funds:

The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Custodial Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related

revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30
Improvements other than buildings	15
Furniture and equipment	5-12
Intangibles	5-12

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances – Proceeds received by the District for which services will be rendered in the succeeding fiscal year, such as prepaid lunch money.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Montezuma Community School District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020 expenditures did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$125,375 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure reimbursements of Governmental Accounting Standards Board Statement No. 72.

(3) Due from and Due to Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 5,000
Management	Capital Projects-Statewide Sales, Services and Use Tax	20,000

The balance is to be repaid by June 30, 2020.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects-Statewide Sales, Services and Use Tax	\$ 359,540
Debt Service	Capital Projects - Physical Plant and Equipment Levy	360,500

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Montezuma Community School District
Notes to Financial Statements
June 30, 2020

(5) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 320,973	25,399	-	346,372
Construction in progress	-	-	-	-
Total capital assets not being depreciated	320,973	25,399	-	346,372
Capital assets being depreciated:				
Buildings	15,604,694	787,945	-	16,392,639
Improvements other than buildings	348,371	-	-	348,371
Furniture and equipment	1,263,505	25,219	-	1,288,724
Total capital assets being depreciated	17,216,570	813,164	-	18,029,734
Less accumulated depreciation for:				
Buildings	5,838,120	629,486	-	6,467,606
Improvements other than buildings	166,933	12,477	-	179,410
Furniture and equipment	999,262	47,327	-	1,046,589
Total accumulated depreciation	7,004,315	689,290	-	7,693,605
Total capital assets being depreciated, net	10,212,255	123,874	-	10,336,129
Governmental activities capital assets, net	\$ 10,533,228	149,273	-	10,682,501
Business type activities:				
Furniture and equipment	\$ 171,047	-	-	171,047
Less accumulated depreciation	158,421	4,628	-	163,049
Business type activities capital assets, net	\$ 12,626	(4,628)	-	7,998
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 248
Other				8,033
Support services:				
Operation and maintenance of plant				6,733
Transportation				30,457
				45,471
Unallocated				643,819
Total governmental activities depreciation expense				\$ 689,290
Business type activities:				
Food services				\$ 4,628

Montezuma Community School District
Notes to Financial Statements
June 30, 2020

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,615,000	-	630,000	5,985,000	640,000
Bond premiums	83,761	-	10,326	73,435	10,325
Bond discounts	(47,126)	-	(4,878)	(42,248)	4,878
Revenue bonds	2,555,000	-	275,000	2,280,000	120,000
Bond premiums	23,184	-	2,319	20,865	2,319
Bond discounts	(20,669)	-	(2,068)	(18,601)	2,067
Early retirement	72,300	20,000	43,600	48,700	20,000
Net pension liability	2,788,099	-	333,934	2,454,165	-
Net OPEB liability	722,419	-	141,594	580,825	-
Total	\$ 12,791,968	20,000	1,429,827	11,382,141	799,589
Business type activities:					
Net pension liability	\$ 79,080	-	9,508	69,572	-
Net OPEB liability	26,430	-	5,180	21,250	-
Total	\$ 105,510	-	14,688	90,822	-

General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

On July 1, 2012, the District issued \$6,670,000 of general obligation bonds to pay costs associated with school improvement projects. The bonds bear interest at rates ranging from 2.00% to 2.75% per annum. During the year ended June 30, 2020, principal and interest payments of \$310,000 and \$107,913 were made, respectively.

Bond Issue of July 1, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.00%	315,000	101,713	416,713
2022	2.00%	325,000	95,412	420,412
2023	2.00%	330,000	88,913	418,913
2024	2.00%	335,000	82,312	417,312
2025	2.25%	340,000	75,613	415,613
2026	2.25%	350,000	67,962	417,962
2027	2.50%	360,000	60,088	420,088
2028	2.50%	365,000	51,087	416,087
2029	2.50%	375,000	41,963	416,963
2030	2.75%	385,000	32,587	417,587
2031	2.75%	395,000	22,000	417,000
2032	2.75%	405,000	11,138	416,138
Total		\$ 4,280,000	730,788	5,010,788

Montezuma Community School District
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On May 5, 2015, the District issued \$3,240,000 of general obligation bonds to pay costs associated with school improvement projects. The bonds bear interest at 2.00% per annum. During the year ended June 30, 2020, principal and interest payments of \$320,000 and \$40,500 were made, respectively.

Bond Issue of May 5, 2015				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.00%	325,000	34,100	359,100
2022	2.00%	335,000	27,600	362,600
2023	2.00%	340,000	20,900	360,900
2024	2.00%	350,000	14,100	364,100
2025	2.00%	355,000	7,100	362,100
Total		\$ 1,705,000	103,800	1,808,800

Total General Obligation Bonds				
Year ending June 30,		Principal	Interest	Total
2021		640,000	135,813	775,813
2022		660,000	123,012	783,012
2023		670,000	109,813	779,813
2024		685,000	96,412	781,412
2025		695,000	82,713	777,713
2026		350,000	67,962	417,962
2027		360,000	60,088	420,088
2028		365,000	51,087	416,087
2029		375,000	41,963	416,963
2030		385,000	32,587	417,587
2031		395,000	22,000	417,000
2032		405,000	11,138	416,138
Total		\$ 5,985,000	834,588	6,819,588

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of March 1, 2013				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.00%	120,000	34,175	154,175
2022	2.00%	120,000	31,775	151,775
2023	2.00%	125,000	29,325	154,325
2024	2.00%	130,000	26,775	156,775
2025	2.50%	-	25,475	25,475
2026	2.50%	265,000	22,163	287,163
2027	2.50%	-	18,850	18,850
2028	2.50%	280,000	15,350	295,350
2029	3.00%	-	11,850	11,850
2030	3.00%	-	11,850	11,850
2031	3.00%	395,000	5,925	400,925
Total		\$ 1,435,000	233,513	1,668,513

Montezuma Community School District
Notes to Financial Statements
June 30, 2020

Bond Issue of November 5, 2015				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2021	3.12%	-	13,182	13,182
2022	3.12%	85,000	25,038	110,038
2023	3.12%	85,000	22,386	107,386
2024	3.12%	90,000	19,656	109,656
2025	3.12%	90,000	16,848	106,848
2026	3.12%	95,000	13,962	108,962
2027	3.12%	95,000	10,998	105,998
2028	3.12%	100,000	7,956	107,956
2029	3.12%	100,000	4,836	104,836
2030	3.12%	105,000	1,638	106,638
Total		\$ 845,000	136,500	981,500

Total Revenue Bonds				
Year ending June 30,	Principal	Interest	Total	
2021	120,000	47,357	167,357	
2022	205,000	56,813	261,813	
2023	210,000	51,711	261,711	
2024	220,000	46,431	266,431	
2025	90,000	42,323	132,323	
2026	360,000	36,125	396,125	
2027	95,000	29,848	124,848	
2028	380,000	23,306	403,306	
2029	100,000	16,686	116,686	
2030	105,000	13,488	118,488	
2031	395,000	5,925	400,925	
Total	\$ 2,280,000	\$ 370,013	2,650,013	

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,650,013. For the current year, \$356,063 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$505,349.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$158,850 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2020.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$319,552.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$2,523,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability

was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.043292%, which was a decrease of 0.002030% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$398,076. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,996	90,740
Changes of assumptions	270,327	-
Net difference between projected and actual earnings on IPERS investments	-	284,395
Changes in proportion and differences between District contributions and proportionate share of contributions	8,645	264,449
District contributions subsequent to the measurement date	319,552	-
Total	<u>\$ 605,520</u>	<u>639,584</u>

\$319,552 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2020	\$ (19,157)
2021	(130,218)
2022	(109,456)
2023	(79,082)
2024	(15,703)
	<u>\$ (353,616)</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beat equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 4,481,339	2,523,737	881,719

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District did not have any payables to IPERS for legally required District contributions or for legally required employee contributions withheld from employee wages.

(8) Other Post-Employment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits for employees are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

OPEB Benefits - Individuals who are employed by Montezuma Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Montezuma Community School District
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Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	59
	<u>65</u>

Total OPEB Liability – The District's total OPEB liability of \$602,075 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	2.50% per annum.
Rates of salary increase (effective June 30, 2020)	2.50% per annum including inflation
Discount rate (effective June 30, 2020)	2.45% compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2020)	6.40% initial rate decreasing annually to an ultimate rate of 4.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2014 total dataset mortality table fully generational using Scale MP-2014. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	<u>\$ 748,849</u>
Changes for the year:	
Service cost	64,543
Interest	23,439
Differences between expected and actual experiences	(183,765)
Changes in assumptions	(21,669)
Benefit payments	<u>(29,322)</u>
Net changes	<u>(146,774)</u>
Total OPEB liability end of year	<u>\$ 602,075</u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (1.45%) or 0.1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability \$	654,561	602,075	553,247

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Discount Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability \$	525,919	602,075	693,580

OPEB Expense – For the year ended June 30, 2020, the District recognized an OPEB benefit of \$146,774.

(9) Termination Benefits

The most recent early retirement plan was offered to District employees for 2018. Eligible employees must have completed at least 10 years of continuous service to the District and must have reached the age of 55 on or before June 30, 2018. The application for early retirement was subject to approval by the Board of Education.

The employees receive either a benefit of \$500 per month for health insurance until reaching age 65 or a one-time payment of \$30,000.

The previous plan required eligible employees to have completed at least 10 years of continuous service to the District and to have reached the age of fifty-five on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a benefit of \$400 per month for health insurance until reaching age 65 and a onetime lump sum payment based on the difference between the employee's annual contract salary in effect at the date of retirement and the amount of Step 4, BA lane of the Schedule 1 Salary Schedule in the Master Contract for the year the employee's retirement become effective.

At June 30, 2020, the District had obligations to 3 participants with a total liability of \$48,700.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$230,487 for the year ended

June 30, 2020, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Net Position

A net position deficit of \$7,558 exists in the Enterprise, School Nutrition Fund.

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

The District was not impacted by any tax abatements of other entities for the year ended June 30, 2020.

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, the District did not receive any reimbursement.

(14) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Project Lead the Way	\$ 1,000
PAC	22,800
Early Literacy	8,509
Teacher leadership	17,611
Other grants	2,998
Flexibility - statewide voluntary preschool	112,382
Flexibility - professional development	58,056
Total	<u>\$ 223,356</u>

(15) Accounting Change / Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirement change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	Fiduciary Activities Custodial
Net position June 30, 2019, as previously reported	\$ -
Change in implement GASBS No. 84	423
Net position July 1, 2019, as restated:	<u>\$ 423</u>

Required Supplementary Information

Montezuma Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 5,109,368	121,941	5,231,309	5,311,419	5,311,419	(80,110)
State sources	3,098,198	1,609	3,099,807	3,130,544	3,130,544	(30,737)
Federal sources	186,955	177,208	364,163	281,000	281,000	83,163
Total revenues	8,394,521	300,758	8,695,279	8,722,963	8,722,963	(27,684)
Expenditures/Expenses:						
Instruction	4,557,558	-	4,557,558	5,089,890	5,089,890	(532,332)
Support services	1,517,131	-	1,517,131	1,804,500	1,804,500	(287,369)
Non-instructional programs	-	267,098	267,098	330,200	330,200	(63,102)
Other expenditures	2,307,681	-	2,307,681	585,207	2,322,555	(14,874)
Total expenditures/expenses	8,382,370	267,098	8,649,468	7,809,797	9,547,145	(897,677)
(Deficiency) of revenues (under) expenditures/expenses	12,151	33,660	45,811	913,166	(824,182)	869,993
Other financing sources, net	-	-	-	(627,735)	(627,735)	627,735
Change in fund balance	12,151	33,660	45,811	285,431	(1,451,917)	1,497,728
Balances beginning of year	2,686,090	(41,218)	2,644,872	2,044,175	2,044,175	600,697
Balances end of year	\$ 2,698,241	(7,558)	2,690,683	2,329,606	592,258	2,098,425

See accompanying independent auditor's report.

Montezuma Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,737,348.

During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

Montezuma Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For the Last Six Fiscal Years* (In Thousands)
Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.435829%	0.045322%	0.049850%	0.049617%	0.050682%	0.049511%
District's proportion of the net pension pension liability	\$ 2,524	2,867	3,291	3,094	2,520	2,004
District's covered-employee payroll	\$ 3,317	3,405	3,678	3,528	3,494	3,306
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.09%	84.20%	89.48%	87.70%	72.12%	60.62%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Montezuma Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information

	2019	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 320	\$ 313	304	328	315	312	295	278	239	206
Contributions in relation to the statutorily required contribution	(320)	(313)	(304)	(328)	(315)	(312)	(295)	(278)	(239)	(206)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,385	3,317	3,405	3,678	3,528	3,494	3,306	3,203	2,967	2,967
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	8.93%	8.92%	8.93%	8.93%	8.92%	8.68%	8.06%	6.94%

See accompanying independent auditor's report.

Montezuma Community School District
Notes to Required Supplementary Information - Pension Liability
Year ended June 30, 2020

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Montezuma Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes
For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 64,543	62,969	65,740
Interest cost	23,439	17,709	18,215
Difference between expected and actual experiences	(183,765)	-	-
Changes in assumptions	(21,669)	122,758	(999)
Benefit payments	(29,322)	(20,364)	(20,364)
Net change in total OPEB liability	(146,774)	183,072	62,592
Total OPEB liability beginning of year	748,849	565,777	503,185
Total OPEB liability end of year	\$ 602,075	748,849	565,777
Covered-employee payroll	\$ 3,277,831	3,067,420	3,704,703
Total OPEB liability as a percentage of covered-employee payroll	18.37%	24.41%	15.27%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Montezuma Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 230,718	226,553	457,271
Receivables:			
Accounts	-	-	-
Property tax:			
Delinquent	3,972	-	3,972
Succeeding year	300,000	-	300,000
Due from other funds	20,000	-	20,000
Total assets	\$ 554,690	226,553	781,243
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	11,717	11,717
Salaries and benefits payable	2,535	-	2,535
Advances for premiums	-	-	-
Total liabilities	2,535	11,717	14,252
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	300,000	-	300,000
Total deferred inflows of resources	300,000	-	300,000
Fund balances:			
Restricted for:			
Management levy purposes	252,155	-	252,155
Student activities	-	214,836	214,836
Total fund balances	252,155	214,836	466,991
Total liabilities, deferred inflows of resources and fund balances	\$ 554,690	226,553	781,243

See accompanying independent auditor's report.

Schedule 2

Montezuma Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2020

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 219,981	-	219,981
Other	2,867	251,467	254,334
Total revenues	222,848	251,467	474,315
Expenditures:			
Current:			
Instruction:			
Regular	53,214	-	53,214
Other	-	239,946	239,946
Support Services:			
Administration	-	-	-
Operation and maintenance of plant	65,291	-	65,291
Transportation	12,951	-	12,951
Total expenditures	131,456	239,946	371,402
Excess (deficiency) of revenues over (under) expenditures	91,392	11,521	102,913
Fund balances beginning of year	160,763	203,315	364,078
Fund balances end of year	\$ 252,155	214,836	466,991

See accompanying independent auditor's report.

Schedule 3

Montezuma Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech and Drama	\$ 6,386	2,694	4,455	4,625
Winterguard	430	7,402	6,909	923
Instrumental Music	2,038	75	333	1,780
Vocal Music	20,790	9,224	3,665	26,349
Band Uniforms	663	-	-	663
Track	232	-	-	232
Cross Country	211	483	694	-
Weightroom	688	-	400	288
Athletics	9,951	72,862	68,677	14,136
Football	10,102	8,408	14,471	4,039
District 6 Football	117	-	-	117
Baseball	1,323	2,983	2,227	2,079
Golf	928	-	500	428
Boy's Basketball	23	3,159	2,146	1,036
Girl's Basketball	3,572	5,595	8,414	753
Volleyball	5,436	8,531	5,236	8,731
Softball	1,057	-	12	1,045
Wrestling	3,787	2,839	2,922	3,704
Math Club	1,560	75	-	1,635
Academic Fair	197	-	-	197
Torch Club	129	1,088	591	626
Class of 2019	762	-	-	762
Class of 2020	471	58	140	389
Class of 2021	-	4,500	1,219	3,281
FFA	20,577	74,326	70,881	24,022
Class of 2018	388	-	-	388
JH Student Council	1,215	510	201	1,524
HS Student Council	7,614	3,163	2,986	7,791
Cheerleaders	1,405	2,888	2,838	1,455
Class of 2017	1,034	-	-	1,034
School Clay Target Shooting Club	42,792	24,436	28,165	39,063
Spanish Club	20,036	6,953	1,216	25,773
Yearbook	20,013	5,714	8,105	17,622
Elementary Activities	6,564	2,196	2,050	6,710
Creswell Memorial Fund	3,000	-	-	3,000
Preschool	3,846	-	-	3,846
HS Activities	3,978	1,305	493	4,790
Totals	\$ 203,315	251,467	239,946	214,836

See accompanying independent auditor's report.

Schedule 4

Montezuma Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 161,240	126	161,366
Receivables:			
Property tax:			
Delinquent	-	9,221	9,221
Succeeding year	-	542,766	542,766
Due from other governments	42,543	-	42,543
Total assets	\$ 203,783	552,113	755,896
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	829	829
Due to other funds	20,000	-	20,000
Total liabilities	20,000	829	20,829
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	542,766	542,766
Total deferred inflows of resources	-	542,766	542,766
Fund balances:			
Restricted for:			
Debt service	158,850	-	158,850
School infrastructure	24,933	-	24,933
Physical plant and equipment	-	8,518	8,518
Total fund balances	183,783	8,518	192,301
Total liabilities, deferred inflows of resources and fund balances	\$ 203,783	552,113	755,896

See accompanying independent auditor's report.

Schedule 5

Montezuma Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund Accounts
Year ended June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	510,687	510,687
Other	3,305	27,266	30,571
State sources	505,349	-	505,349
Total revenues	508,654	537,953	1,046,607
Expenditures:			
Instruction			
Regular	2,598	23,913	26,511
Support services:			
Administration	3,804	-	3,804
Instructional staff	-	51,360	51,360
Operation and maintenance of plant	-	50,902	50,902
Student transportation	-	-	-
Other expenditures:			
Facilities acquisition	723,445	214,174	937,619
Total expenditures	729,847	340,349	1,070,196
Excess (deficiency) of revenues over (under) expenditures	(221,193)	197,604	(23,589)
Other financing sources (uses)			
Transfers out	(359,540)	(360,500)	(720,040)
Total other financing sources (uses)	(359,540)	(360,500)	(720,040)
Change in fund balances	(580,733)	(162,896)	(743,629)
Fund balances beginning of year	764,516	171,414	935,930
Fund balances end of year	\$ 183,783	8,518	192,301

See accompanying independent auditor's report.

Montezuma Community School District
Combining Statement of Fiduciary Net Position
Private Purpose Trust - Scholarship Funds
June 30, 2020

	Private Purpose Trust			
	Miscellaneous Scholarship	Ellis Scholarship	FFA Scholarship	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 2,389	1,038	2,015	5,442
Total assets	\$ 2,389	1,038	2,015	5,442
Liabilities				
Liabilities:				
Due to other groups	\$ -	-	-	-
Total liabilities	-	-	-	-
Net position				
Reserved for scholarships	\$ 2,389	1,038	2,015	5,442

See accompanying independent auditor's report.

Montezuma Community School District
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust - Scholarship Funds
Year ended June 30, 2020

	Private Purpose Trust - Scholarship Funds			
	Miscellaneous Scholarship	Ellis Scholarship	FFA Scholarship	Total
Additions:				
Gifts and contributions	\$ 350	-	3,145	3,495
Interest on investments	12	-	-	12
Total additions	362	-	3,145	3,507
Deductions:				
Instruction:				
Scholarships awarded	1,150	-	2,750	3,900
Total deductions	1,150	-	2,750	3,900
Change in net position	(788)	-	395	(393)
Net position beginning of year	3,177	1,038	1,620	5,835
Net position end of year	\$ 2,389	1,038	2,015	5,442

See accompanying independent auditor's report.

Montezuma Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 4,482,263	4,293,979	3,927,522	3,747,130	3,602,514	3,093,269	3,020,740	3,350,390	3,284,422	3,110,907
Tuition	302,712	274,670	251,755	184,902	164,615	192,406	141,144	233,619	254,964	205,759
Other	324,393	467,348	395,560	424,863	381,462	451,242	368,407	463,142	364,944	354,582
State sources	3,098,198	3,060,980	3,328,599	3,070,336	2,970,886	3,126,582	2,823,423	2,343,795	2,054,670	2,399,102
Federal sources	186,955	154,303	153,378	227,051	286,773	138,274	199,749	265,212	211,088	327,849
Total	<u>\$ 8,394,521</u>	<u>8,251,280</u>	<u>8,056,814</u>	<u>7,654,282</u>	<u>7,406,250</u>	<u>7,001,773</u>	<u>6,553,463</u>	<u>6,656,158</u>	<u>6,170,088</u>	<u>6,398,199</u>
Expenditures:										
Instruction:										
Regular	\$ 2,896,914	2,734,371	2,845,292	3,160,195	2,811,414	2,651,994	2,603,995	2,580,158	2,587,841	2,447,007
Special	660,218	573,744	622,261	644,156	657,566	726,348	684,123	524,886	562,669	553,318
Other	1,000,426	1,123,096	1,068,038	1,109,146	1,163,776	1,209,577	1,113,239	1,144,086	948,856	971,977
Support services:										
Student	61,485	61,973	60,982	99,998	72,453	31,033	20,485	20,554	15,489	29,747
Instructional staff	81,423	82,937	84,398	88,051	72,461	70,755	90,410	88,392	80,319	97,998
Administration	611,192	611,739	621,699	664,621	679,442	660,262	623,160	634,570	588,902	579,320
Operation and maintenance of plant	538,444	542,639	547,553	509,341	506,878					
Transportation	224,587	326,212	287,705	277,193	296,651	270,572	201,625	194,584	216,875	209,571
Other expenditures:										
Facilities acquisition	937,619	294,541	51,678	539,111	4,298,980	2,025,865	6,102,803	1,352,199	441,772	461,106
Long-term debt:										
Principal	905,000	810,000	800,000	700,000	755,000	380,000	275,000	345,000	-	-
Interest and other charges	234,575	235,264	253,004	249,706	273,623	186,038	183,675	147,546	-	-
AEA flowthrough	230,487	231,883	234,557	224,296	229,320	231,372	213,427	206,971	208,432	227,938
Total	<u>\$ 8,382,370</u>	<u>7,628,399</u>	<u>7,477,167</u>	<u>8,265,814</u>	<u>11,817,564</u>	<u>8,950,076</u>	<u>12,810,038</u>	<u>7,775,071</u>	<u>6,071,035</u>	<u>5,941,491</u>

See accompanying independent auditor's report.

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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Montezuma Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Montezuma Community School District as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montezuma Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montezuma Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Montezuma Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A 2020-001) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Montezuma Community School District's Responses to Findings

Montezuma Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Montezuma Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montezuma Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 20, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.
- (2020-001)

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2020, did not exceed the certified budget amount.
2. Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions were noted between the District and District officials or employees.
5. Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
7. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
8. Certified Enrollment – Variance in the basic enrollment data certified to the Department of Education was noted.

Recommendation – The certified enrollment data should be corrected.

Response – The Iowa Department of Education and the Iowa Department of Management will be notified of the error.

Conclusion – Response accepted.
9. Supplementary Weighting – No variance in the supplementary weighting certified to the Iowa Department of Education was noted.

Montezuma Community School District
Schedule of Findings
Year ended June 30, 2020

10. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
11. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
12. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
13. Deficit Balance – The School Nutrition fund had a deficit balance at June 30, 2020.

Recommendation: The district should continue to investigate alternatives to eliminate the deficit in the School Nutrition fund.

Response: The District is continuing to investigate alternatives to eliminate the deficit in the School Nutrition fund at the end of the fiscal year.

Conclusion: Response accepted.

14. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	764,516
Revenues/transfers in:			
Sales tax revenues	\$	505,349	
Other local revenues		3,305	508,654
			<u>1,273,170</u>
Expenditures/transfers out:			
School infrastructure construction		723,445	
Instruction		2,598	
Support services		3,804	
Transfers to other funds:			
Debt service funds		359,540	1,089,387
			<u>1,089,387</u>
Ending balance		\$	<u>183,783</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.